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MICROFT (TAIWAN)

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Q1 FISCAL '92 Taiwan OEM REVIEW AND FY92 Q2 GOKR'S

FY91 REVIEW

FY Q1 Actual	\$6,849,385.75
FY Q1 Budget	\$4,715,481
% FY Q1 Budget	145%
FY Q1 Delta	+45%

Q1 revenue is 6.8 million 45% over budget, this is contributed by COPAM's m/d and new accounts such as Archa, Chioony, PCU etc. Q2 revenue is even higher because most customers will be in 3 years per-processor license, and during contract change, they raise their windows commitment to be around 30% to 50% of their DOS shipment ratio. Also Acer will pay royalty for exceeding minimum commitment next quarter. Therefore we also adjust down revenue for problem account such as Lyi-cheng and Moderna.

New Business Signed

Company	Products	Comments
Chioony	DOS5/Windows	New account, 25K DOS and 5K Windows per year.
PCU	DOS5/Windows	New account, 5K DOS and 5 K Windows per year.
Copam	Windows Works For Windows	Extend another 5 months
Spring	MS-DOS 5 and Windows	10K at \$25- 10K DOS per-processor and 5K windows 3 years

New Business To Be Signed for Q2

Account	Product(s)	Comments
ADI	Windows 3.0	1K volume
USI	Windows 3.0	> 1K volume
Great	Windows 3.0	> 2K volume
FIC	MS-DOS 5	40K/yr 3 year per-processor

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Plaintiff's Exhibit

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Revenue Outlook For the Year

		FY92Q1	FY92Q2	FY92Q3	FY92Q4	Total
Acer	Budget	1,046,393	1,275,000	1,275,000	2,545,958	6,142,343
	Forecast	1,196,394	3,882,500	1,582,500	1,582,500	8,243,894
Twinhead	Budget	537,000	671,250	671,250	671,250	2,550,750
	Forecast	537,000	632,250	632,250	632,250	2,433,750
Autocomputer	Budget	270,000	337,500	337,500	337,500	1,282,500
	Forecast	270,000	337,500	337,500	337,500	1,282,500
Tatung	Budget	325,000	325,250	325,250	375,000	1,350,500
	Forecast	368,750	368,750	368,750	256,250	1,362,500
Quanta	Budget	28,125	56,250	56,250	56,250	196,875
	Forecast	28,125	56,250	56,250	56,250	196,875
Datatech	Budget	583,438	734,875	734,875	1,313,000	3,366,188
	Forecast	640,000	1,001,625	1,001,625	1,556,000	4,199,250
Copam	Budget	381,375	381,375	2,089,000	418,000	3,269,750
	Forecast	661,575	661,575	1,738,000	732,200	3,793,350
Mitac	Budget	562,500	640,000	320,000	320,000	1,842,500
	Forecast	562,500	962,000	481,000	481,000	2,486,500
Lyi-Chang	Budget	276,250	662,500	293,000	293,000	1,524,750
	Forecast	276,250	312,600	180,000	180,000	948,850
Sampo	Budget	100,000	100,000	200,000	200,000	600,000
	Forecast	100,000	100,000	200,000	200,000	600,000
Mustek	Budget	56,000	56,000	56,000	59,400	227,400
	Forecast	56,000	56,000	56,000	112,000	280,000
Morden	Budget	365,000	365,000	365,000	456,250	1,551,250
	Forecast	365,000	193,750	193,750	193,750	946,250
Arche	Budget	0	0	0	0	0
	Forecast	912,500	456,250	531,250	531,250	2,431,250
Chicooy	Budget	0	0	0	0	0
	Forecast	199,000	199,000	199,000	199,000	796,000
PCU	Budget	0	0	0	0	0
	Forecast	200,000	50,000	50,000	50,000	350,000
CAF	Budget	140,000	140,000	140,000	175,000	595,000
	Forecast	233,542	192,000	192,000	240,000	859,542
Chaplet	Budget	0	0	0	0	0
	Forecast	68,750	185,440	92,720	92,720	439,630
Plus & Plus	Budget	44,400	44,400	55,500	55,500	199,800
	Forecast	150,000	100,000	100,000	100,000	450,000
FIC	Budget	0	0	0	0	0
	Forecast	0	334,400	167,200	167,200	668,800
Spring	Budget	0	0	0	0	0
	Forecast	0	178,800	89,400	89,400	357,600
System	Budget	0	0	0	0	0
	Forecast	22,000	33,000	55,000	55,000	187,000
Total	Budget	4,715,481	5,789,400	6,918,625	7,276,100	24,699,606
	Forecast	6,849,386	10,315,690	8,304,195	7,844,270	33,313,541

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FY92 01 KEY ACCOMPLISHMENTS**General**

- Conclude the license negotiation with Acer for 3-year per-processor DOS license and 3-year Windows license.
- Re-schedule a new payment terms with Plus&Plus. Basically, I would like to say that we save one 'endangered' account.
- Sign up WinWorks agreement with Copam at 10K/year.
- Sign up DOS5/Windows agreement with Chicony at 25K/5K.(New account)
- Sign up DOS5/Windows agreement with PCU at 5K/5K.(New account)
- Successfully have made mutual conclusions/actions to request DTK prevent from MS products separate selling issues happened again in the future; this include DTK will write down sentences clearly on their product package to show MS products is not allowed to sell separately.
- Successfully transfer ARCHE account from US to MSTC, and we will continue provide better service to them.
- Signed up 3 year per-processor MS-DOS with Spring.

Account Status**Acer**

Basically, we have concluded the 3-year per-processor DOS license and 3-year Windows License with Acer. This is the most important target that I set as the quarter objective. I am very glad to report that we did it. After we re-new the DOS/Windows license with Acer, Acer will be very healthy from the financial point of view. No UPBs.

As for business, just like Compaq. Acer is suffering from the PC Industry's recession. Slow growth and low profit margin. It is very depressed. But, I am very delightful to discover that people in Acer does not knocked out by this recession. They are fully committed to the industry and is ready to fight for any opportunity. We should introduce more MS product to them in their design in phase. I believe, Acer's future is still full of hopes.

ARC

A new payment schedule has been approved by RichardF. We bring back this account. Basically, Plus&Plus is getting healthy due to their new notebooks design and their strategy - OEMs. They give up promoting their own brand name and concentrating on OEM business. Cutting deals with several OEMs makes Plus&Plus's financial status very much improved.

Autocomputer

Autocomputer is very reluctant to accept the 3-year per-processor license. This is because their existing channel does not appreciate MS-DOS bundled. Basically, I would like to say that Autocomputer is still running the mother board business. They are not ready for the system business yet. But, we will not let me go away. We will try every possible way to keep them in the DOS school. After their returning from the COMDEX, we will approach them again.

CAE

Nothing new to report.

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Chaplet

They are happy to ship products with MS Windows, according our information, their business is coming up because of their notebook product, they are also very interested in provide Pen-based PC and Multimedia PC in the future.

A new agreement of MS-DOS and Windows is undergoing discussed with Chaplet, My thought is to get 3 year per-processor and have real revenue from DOS royalty and allow them use part of the UPBs toward Windows royalty in the new agreement.

Copam

We have arranged a solo WinWorks demo show for Copam America in Redmond, they are excited. Copam Windows shipment is increased and possible UPB problem is gone too, they asked to extend the agreement to the end of this year, we are processing it under the condition of commitment should keep the current level.

They agreed to have 3 year per-processor MS-DOS agreement with us and they would like this happened when the old one terminates and this year.

DTK

Their Windows shipment is become large over their forecast, they are asking to increase the commitment, lower the royalty rate, we will consider their suggest after look at their FY91Q4 R/R.

Possible separate MS products selling are wild spread out both in US and Europe for past one year, we are warning DTK seriously and try to find out some "rules" agreed for both parties to prevent those activities from happened again in the future, DTK is willing corporate with MS and we hope this time works!!

Lori-Cheng

This company always pay "delayed", though they paid at last, we need carefully to watch their financial condition in the future.

Due to no order from Investronica and heavy competition within 9 months this year, they faced difficulties of cash flow problems, and they also told us MS Spain aggressively attack Investronica makes them lost orders.

Mitac

They have announced Multi-processor machine for 500 series, they also announced product use 486SX, Mitac is developing high-end PCs as well as server machines.

They are considering to strength their sales force to become more productivity by let each business center have their own sales force instead of play as a "common pool" right now have.

Modern

This notebook manufacturer ONLY have been faced product price down and keycomponents inventory problem start from this year and makes them meet cash flow problem too; Four Pillars, a big plastic tape maker in Taiwan have gained 80% financial control of the company and request our help to lower the commitment, reschedule the delay payment.

Mastek

This small account was appreciated our help to them, they have met some payment question and we are helping them to fix it; they did not know they can have 20% tax cert. from payment before and now they understood.

Over 30% of their product is shipping to South Africa, and they believe they still have many chance in that market, according their information, only white people use PCs in that country.

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Quantia

They are doing very well in notebook business. But, they are dedicated in OEM business only. This will not be a major customer for Microsoft in the near future. But, we still want to prevent losing them to DXL.

They are very serious about the Pen based computing. I have arranged two of their key person to be in Redmond for the Pen Conference. I have their oral commitment that they will follow Microsoft's Pen computing instead of GO.

Sarung

They are one of the leading notebook maker in Taiwan and growth smoothly, the most strength of their notebook product is power saving feature, their notebook can work for 3.5 hours which most other vendors can't provide right now.

Tatung

It seems to me that Tatung is committing themselves to be Packard Bell's manufacturer. As for their own name brand promotion, non. But, good news is that they are quite interested in our MultiMedia Windows. With their consumer electronic experience, I hope, they could make use of their past experience and come up with some design wins.

Twinhead

Nothing new.

FY92 Q2 Goals/Objectives

1. Provide ROM DOS 5 and Windows NT technical seminar to all OEMs in November.
2. Convert all major OEMs to 3 year DOS per-processor and Windows per-system.
3. Selling ROM DOS 5 and PC Works ROM version to major Palmtop manufacturers.
4. Sign up MS-DOS 5.0 3 year per-processor with PIC.
5. Fully transfer all Hong Kong OEM to MSTC
6. Create more business opportunity for Windows and Win-Works from Hong Kong OEMs
7. Complete license preparation for Acer's new 3-year per-processor DOS license and 3-year Windows licenses.

FY92 Q2 Objectives by Account**Acer**

- (1) Converting existing DOS license to 3-year and per-processor.
- (2) Converting existing Windows 3.0 license to 3-year and per-processor for 386SX or above CPU.
- (3) conclude MultiMedia Extension license.
- (4) Sell them Microsoft Pen Windows

ARC

- (1) Waiting for legal actions from Redmond.

Arche

- (1) Arche account is transferred from US to MSTC recently, my goal for this account is first to let them feel very comfortable for all the transfer activities, then prepare a MS products seminar to them to let Arche well understand our strategy.

Autocomputer

- (1) Continuously sell them Microsoft's Windows 3.0

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